MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/ 2023

BAC4664 – INTERNAL AUDITING

(All sections / groups)

6th July 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages excluding cover page with **FOUR (4)** questions only.

2. Answer **ALL** questions. The marks distribution for each question is given at the end of each question

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1 (25 marks)

a) According to ***Standards 2230 Engagement Resource Allocation*** - *Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources*. Debate why the following resources are needed:

i) Estimating the time taken to complete the engagement. (3 marks)

ii) Assigning internal auditors to the engagement. (3 marks)

iii) Audit expertise for the engagement. (3 marks)

b) At the end of every audit engagement, auditors will issue an internal audit report for their clients. After the report is issued, internal auditors will do follow up procedures. Determine **TWO (2)** factors internal auditors need to consider in determining the nature, timing and extend of the follow up procedures. (6 marks)

c) COSO Integrated Internal Control Framework consists of 5 components.

i) One of the components is the control activities, which are essentially the actions carried out to address risks. Organisations implement five specific types of control activities to ensure the effectiveness and efficiency of their business operations. Identify any **THREE (3)** of these control activities and elaborate them briefly. (6 marks)

ii) Another component is monitoring activities. Determine **TWO (2)** reasons for the need of monitoring internal controls. (4 marks)

(Total: 25 marks)

QUESTION 2 (25 marks)

(a) Standard Operating Procedure (SOP) is specific procedure that describes the activities necessary to complete tasks in accordance with industry regulations, law or internal standards in running the business. Appraise why SOP is important to organisations. (7 marks)

Continued...

(b) Computer-assisted audit techniques (CAATs) is an approach of auditing using computers.

Required:

i) Debate **THREE (3)** reasons why auditing using CAAT is a good approach. (9 marks)

ii) Ascertain **THREE (3)** factors that companies need to consider before they decide to go ahead with using CAATs in their internal audit activities. (9 marks)

(Total: 25 marks)

QUESTION 3 (25 marks)

(a) PrintBox Sdn Bhd is a printing shop in Kuala Lumpur established in 2005 and has expanded to 10 branches across the city, offering high-quality printing services to individuals, businesses and organisations. The company experienced a significant surge in business in early 2020 due to the rapid growth of commercial and residential projects, which boosted the demand for printed materials. However, by July 2020, an increase in customer complaints about print quality, delayed delivery and poor customer service raised concerns for the management team, who had always prioritised customer satisfaction.

Your internal audit team was called by the CEO of PrintBox Sdn Bhd and instructed to investigate this issue. Determine **THREE (3)** data gathering techniques that your team can perform to capture the reasons that lead to customer complaints. (15 marks)

(b) ***Standards 2310 – Identifying Information*** *– Internal auditors must identify sufficient, reliable and useful information to achieve the engagement's objectives.* Criticise why internal auditors need various combinations of evidence to arrive at their audit conclusions? (5 marks)

(c) During an audit, several observations may be made depending on the specific areas being assessed. Differentiate between formal and informal observations. (5 marks)

(Total: 25 marks)

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QUESTION 4 (25 marks)

(a) Internal audit report is the final output from an internal audit engagement.

i) One of the purposes of the audit report is to "Promote problems to the management". Illustrate this purpose with one example. (7 marks)

ii) Determine **THREE (3)** guidelines that the Chief Audit Executive (CAE) can apply if the company does not have any policies in communicating internal audit to outside party. (6 marks)

(b) ***Standards 1300 : Quality Assurance and Improvement Program (QAIP)*** - *The Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit quality.*

Debate why it is not a good strategy for the company to apply only the internal assessment instead of combining both internal and external assessments. (6 marks)

(c) The relationship between internal auditors and audit committee helps to provide the appropriate organizational status of internal audit. Determine **TWO (2)** aspects in evaluating the strength of their relationship. (6 marks)

(Total: 25 marks)

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